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Macroeconomic policy questions: commodities

Report of the Second Committee*

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I. Introduction

1. The Second Committee held a substantive debate on agenda item 17 (see A/66/438, para. 2). Action on sub-item (d) was taken at the 34th and 38th meetings, on 10 November and 2 December 2011. An account of the Committee's consideration of the sub-item is contained in the relevant summary records (A/C.2/66/SR.34 and 38).

II. Consideration of draft resolutions A/C.2/66/L.34 and A/C.2/66/L.70

2. At the 34th meeting, on 10 November 2011, the representative of Argentina, on behalf of the States Members of the United Nations that are members of the Group of 77 and China, introduced a draft resolution entitled "Commodities" (A/C.2/66/L.34), which read:

> "*The General Assembly*,
>
> "*Recalling* its resolutions 59/224 of 22 December 2004, 61/190 of 20 December 2006, 63/207 of 19 December 2008 and 64/192 of 21 December 2009 on commodities,
>
> "*Recalling also* the United Nations Millennium Declaration adopted by Heads of State and Government on 8 September 2000, the 2005 World Summit Outcome adopted on 16 September 2005 and its resolution 60/265 of 30 June 2006 on the follow-up to the development outcome of the 2005 World Summit,

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including the Millennium Development Goals and the other internationally agreed development goals,

"*Recalling further* the Conference on the World Financial and Economic Crisis and Its Impact on Development and its outcome,

"*Recalling* the International Conference on Financing for Development, held in Monterrey, Mexico, from 18 to 22 March 2002, and the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, held in Doha from 29 November to 2 December 2008,

"*Recalling also* the Plan of Implementation of the World Summit on Sustainable Development ('Johannesburg Plan of Implementation'),

"*Recalling further* the Programme of Action for the Least Developed Countries for the Decade 2011-2020,

"*Taking note* of the Arusha Declaration and Plan of Action on African Commodities adopted at the African Union Conference of Ministers of Trade on Commodities, held in Arusha, United Republic of Tanzania, from 21 to 23 November 2005, and endorsed by the Executive Council of the African Union at its eighth ordinary session, held in Khartoum from 16 to 21 January 2006,

"*Taking note also* of the targets set out in the Rome Declaration on World Food Security and the World Food Summit Plan of Action and the Declaration of the World Food Summit: five years later, which reaffirms the pledge to end hunger and poverty,

"*Taking note further* of the Political Declaration of the High-level Meeting on Africa's Development Needs, held in New York on 22 September 2008,

"*Taking note* of the Accra Accord, adopted by the United Nations Conference on Trade and Development at its twelfth session, containing far-reaching recommendations on commodity issues, and of further decisions and agreed conclusions on commodities adopted by the Trade and Development Board and its subsidiary bodies in 2010 and 2011, including the evaluation and review of the implementation by the Conference of the Accra Accord,

"*Recognizing* that many developing countries continue to be highly dependent on primary commodities as their principal source of export revenues, employment, income generation and domestic savings, and as the driving force of investment, economic growth and social development, including poverty eradication,

"*Deeply concerned* by recent episodes of commodity price booms and subsequent busts and by the fact that many commodity-dependent developing countries and economies in transition continue to be highly vulnerable to price fluctuations, and recognizing the need to improve the regulation, functioning and transparency of financial and commodity markets in order to address excessive commodity price volatility,

"*Recognizing* the negative impact of factors such as climate change on the production of agricultural commodities, in particular in developing countries,

"*Recognizing also* that the present crisis has reinforced the need to comprehensively deal with the commodity problematique, while taking due account of the diversity of each country's individual situation and needs and the promotion of their sustainable development, and to strengthen the nexus between trade, food, finance, investment in sustainable agriculture, energy and industrialization,

"*Recognizing further* that the current economic crisis has impacted negatively on the commodity economy, as evidenced, inter alia, by the decline in demand for commodities, diminishing supply capacities owing to shrinking commodity revenues and postponement of investments, resulting in an economic slowdown in commodity-dependent economies,

"*Stressing* the importance of policies to address longer-term structural issues of the commodity economy and integrate commodity policies into wider development and poverty eradication strategies at all levels,

"*Taking note* of all relevant voluntary initiatives aimed at improving transparency in commodity markets and mitigating the impact of price volatility,

"1. *Takes note* of the note by the Secretary-General transmitting the report on world commodity trends and prospects prepared by the secretariat of the United Nations Conference on Trade and Development;

"2. *Underscores* the need for further efforts to address excessive commodity price volatility, in particular by assisting producers, especially small-scale producers, in managing risk;

"3. *Calls upon* the international community to support the efforts of commodities-dependent developing countries to address the factors that impede diversification, inter alia, structural barriers in international trade, including tariff and non-tariff escalation; limited access to finance, resulting in scarce resources for investing in the sector, which in turn can be affected by excessive commodity price volatility; weak infrastructure, particularly as regards both the cost and availability of transportation and storage; and lack of skills in producing and marketing alternative products;

"4. *Calls for*, in that regard, the early conclusion of the Doha Development Round of trade negotiations with a development-oriented outcome that ensures, inter alia, greater market access for products from developing countries;

"5. *Also calls for* a coherent set of policy actions at the national, regional and international levels to address excessive price volatility and support commodity-dependent developing countries in mitigating negative impacts, in particular by facilitating value addition and enhancing their participation in commodity and related product value chains, by supporting large-scale diversification of these economies and by encouraging the use and further development of market-oriented risk management tools;

"6. *Recognizes* the potential for innovation, productivity improvements and promotion of non-traditional exports in most commodity-dependent developing countries, particularly in Africa, and calls for enhanced support by the international community as well as exchanges of experience in these areas within the framework of South-South economic cooperation;

"7. *Calls upon* the international community to work closely with commodity-dependent economies to identify trade-related policies and instruments as well as investment and financial policies as key elements of the development strategies of those economies;

"8. *Underscores* the importance of increased investments in infrastructure as a means of promoting agricultural development and enhancing commodity diversification and trade, and urges the international community to assist commodity-dependent developing countries;

"9. *Expresses concern* over the large-scale land acquisitions by, among others, transnational corporations in developing countries that incur risk to development efforts, stresses the importance of promoting responsible international investment in agriculture, and in this regard invites the United Nations Conference on Trade and Development, in cooperation with other relevant international organizations, to continue its research and analysis on this issue;

"10. *Stresses* that technical assistance and capacity-building aimed at improving the commodity export competitiveness of producers is particularly important, especially in Africa, and invites the donor community to provide necessary resources for commodity-specific, financial and technical assistance, in particular for human and institutional capacity-building, as well as infrastructure development of developing countries, with a view to reducing their institutional bottlenecks and transaction costs and enhancing their commodity trade and development in accordance with national development plans;

"11. *Also stresses* that the Aid for Trade Initiative should aim to help developing countries, particularly least developed countries, to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from World Trade Organization agreements and, more broadly, to expand their trade;

"12. *Underlines* the important contribution of the commodities sector to rural development, in particular to providing rural employment and income, and to the efforts for achieving food security;

"13. *Emphasizes* the importance of international measures and national strategies to improve the performance of the agricultural sector, including the functioning of markets and trading systems, to ensure a better supply-side response from producers, in particular small farmers, in order to incentivize them to take the risks inherent in investing in increased and diversified production;

"14. *Stresses* the importance of managing excessive price volatility, including through the development of appropriate tools at the international level;

"15. *Recalls* the agreement to keep under regular review, by the Ministerial Conference and appropriate organs of the World Trade Organization, the impact of the results of the Uruguay Round on the least developed countries as well as on the net food-importing developing countries, with a view to fostering positive measures to enable them to achieve their development objectives, and in this regard calls for the implementation of the Marrakech

Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least Developed and Net Food-Importing Developing Countries;

"16. *Calls upon* developed countries that have not already done so to provide immediate, predictable, duty-free and quota-free market access on a lasting basis for all least developed countries, consistent with the Hong Kong Ministerial Declaration of 2005, and in this regard emphasizes the need for the full, timely and effective implementation of the Istanbul Programme of Action for the Least Developed Countries for the Decade 2011-2020;

"17. *Calls upon* international financial institutions and development banks to assist developing countries, in particular commodity-dependent developing countries, in managing the effects of excessive price volatility;

"18. *Reaffirms* that every State has and shall freely exercise full permanent sovereignty over all its wealth, natural resources and economic activities;

"19. *Recognizes* the importance of increasing efficiency and effectiveness in the management of public and private sector revenues in developed and developing countries derived from all commodities and commodities-related industries, including final processed goods, in support of development;

"20. *Also recognizes* the important contributions of the Common Fund for Commodities and other international commodities organizations, and encourages them, in cooperation with the International Trade Centre UNCTAD/WTO, the United Nations Conference on Trade and Development and other relevant bodies, to continue to strengthen and study ways to establish greater stability in the commodities market as well as to enhance activities in developing countries to improve access to markets and reliability of supply, enhancing diversification and addition of value, improving the competitiveness of commodities, strengthening the market chain, improving market structures, broadening the export base and ensuring the effective participation of all stakeholders;

"21. *Stresses* that the United Nations Conference on Trade and Development and its partners, in the spirit of inter-agency cooperation and multi-stakeholder partnerships and within their respective mandates, should continue to engage actively in collaborative research and analysis of the commodity problematique and related capacity and consensus-building activities with a view to providing regular analysis and policy advice relevant to the sustainable development of commodity-dependent developing countries, particularly low-income countries;

"22. *Underscores* the urgent need for the provision of, and access to, trade finance to commodity-dependent developing countries, given the tightened access to all types of credit and noting debt sustainability;

"23. *Stresses* the importance of the continuing substantive consideration of the sub-item entitled 'Commodities', and decides to include the sub-item in the provisional agenda of its sixty-eighth session, under the item entitled 'Macroeconomic policy questions';

"24. *Requests* the Secretary-General, in collaboration with the secretariat of the United Nations Conference on Trade and Development, to submit to the

General Assembly at its sixty-eighth session a report on the implementation of the present resolution, with recommendations, and on world commodity trends and prospects, including on the causes of the excessive commodity price volatility."

3. At its 38th meeting, on 2 December, the Committee had before it a draft resolution entitled "Commodities" (A/C.2/66/L.70), submitted by the Vice-Chair of the Committee, Denis Zdorov (Belarus), on the basis of informal consultations on draft resolution A/C.2/66/L.34.

4. At the same meeting, on the proposal of the Chair, the Committee agreed to waive rule 120 of the rules of procedure of the General Assembly and proceed to take action on draft resolution A/C.2/66/L.70.

5. Also at the same meeting, the Committee was informed that draft resolution A/C.2/66/L.70 had no programme budget implications.

6. Also at its 38th meeting, the Committee adopted draft resolution A/C.2/66/L.70 (see para. 8).

7. In the light of the adoption of draft resolution A/C.2/66/L.70, draft resolution A/C.2/66/L.34 was withdrawn by its sponsors.

III. Recommendation of the Second Committee

8. The Second Committee recommends to the General Assembly the adoption of the following draft resolution:

Commodities

The General Assembly,

Recalling its resolutions 59/224 of 22 December 2004, 61/190 of 20 December 2006, 63/207 of 19 December 2008 and 64/192 of 21 December 2009 on commodities,

Recalling also the United Nations Millennium Declaration adopted by Heads of State and Government on 8 September 2000,[1] the 2005 World Summit Outcome adopted on 16 September 2005[2] and its resolution 60/265 of 30 June 2006 on the follow-up to the development outcome of the 2005 World Summit, including the Millennium Development Goals and the other internationally agreed development goals, and the High-level Plenary Meeting of the General Assembly on the Millennium Development Goals and its outcome document,[3]

Recalling further the Programme of Action for the Least Developed Countries for the Decade 2011-2020,[4]

Taking note of the targets set out in the Declaration of the World Summit on Food Security, held in Rome from 16 to 18 November 2009, which reaffirms the pledge to end hunger and poverty,[5]

Recalling the Conference on the World Financial and Economic Crisis and Its Impact on Development and its outcome,[6]

Recalling also the International Conference on Financing for Development, held in Monterrey, Mexico, from 18 to 22 March 2002, and the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, held in Doha from 29 November to 2 December 2008,

Taking note of the Accra Accord, adopted by the United Nations Conference on Trade and Development at its twelfth session,[7] containing far-reaching recommendations on commodity issues, and of further decisions and agreed conclusions on commodities adopted by the Trade and Development Board and its subsidiary bodies in 2010 and 2011, including the evaluation and review of the implementation by the Conference of the Accra Accord, and looking forward to the thirteenth session of the United Nations Conference on Trade and Development, to be held in April 2012,

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[1] See resolution 55/2.
[2] See resolution 60/1.
[3] See resolution 65/1.
[4] *Report of the Fourth United Nations Conference on the Least Developed Countries, Istanbul, Turkey, 9-13 May 2011* (United Nations publication, Sales No. 11.II.A.1), chap. II.
[5] See Food and Agriculture Organization of the United Nations, document WSFS 2009/2.
[6] Resolution 63/303, annex.
[7] TD/442 and Corr.1, chap. II.

Taking note also of the Political Declaration of the High-level Meeting on Africa's Development Needs, held in New York on 22 September 2008,[8]

Taking note further of the Arusha Declaration and Plan of Action on African Commodities adopted at the African Union Conference of Ministers of Trade on Commodities, held in Arusha, United Republic of Tanzania, from 21 to 23 November 2005,[9] and endorsed by the Executive Council of the African Union at its eighth ordinary session, held in Khartoum from 16 to 21 January 2006,[10]

Recalling the Plan of Implementation of the World Summit on Sustainable Development ("Johannesburg Plan of Implementation"),[11]

Recognizing that many developing countries continue to be highly dependent on primary commodities as their principal source of export revenues, employment, income generation and domestic savings, and as the driving force of investment, economic growth and social development, including poverty eradication,

Taking note of the comprehensive policy report entitled "Price Volatility in Food and Agricultural Markets: Policy Responses",[12] produced by international organizations including the Food and Agriculture Organization of the United Nations, the International Fund for Agricultural Development, the International Monetary Fund, the Organization for Economic Cooperation and Development, the United Nations Conference on Trade and Development, the World Food Programme, the World Bank, the World Trade Organization, the International Food Policy Research Institute and the United Nations High-level Task Force on the Global Food Security Crisis,

Deeply concerned by episodes of commodity price booms and subsequent busts and by the fact that many commodity-dependent developing countries and economies in transition continue to be highly vulnerable to price fluctuations, and recognizing the need to improve the regulation, functioning and transparency of financial and commodity markets, which can address excessive commodity price volatility,

Recognizing the impact of factors such as climate change on the production of agricultural commodities,

Recognizing also that uncertainty in global commodity markets reinforces the need to comprehensively deal with the commodity problematique, inter alia, the demand for commodities, supply capacities, commodity revenues and investments in commodity-dependent economies, while taking due account of the diversity of each country's individual situation and needs and the promotion of their sustainable development, and to strengthen the nexus between trade, food, finance, investment in sustainable agriculture, energy and industrialization,

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[8] See resolution 63/1.

[9] African Union, document AU/Min/Com/Dec1.Rev.1.

[10] See A/60/693, annex II, decision EX.CL/Dec.253 (VIII).

[11] *Report of the World Summit on Sustainable Development, Johannesburg, South Africa, 26 August-4 September 2002* (United Nations publication, Sales No. E.03.II.A.1 and corrigendum), chap. I, resolution 2, annex.

[12] "Price Volatility in Food and Agricultural Markets: Policy Responses", coordinated by the Food and Agriculture Organization of the United Nations and the Organization for Economic Cooperation and Development as a joint report to the Group of Twenty (G-20) (2 June 2011).

Stressing the importance of policies to address longer-term structural issues of the commodity economy and integrate commodity policies into wider development and poverty eradication strategies at all levels,

Taking note of all relevant voluntary initiatives aimed at improving transparency in commodity markets and mitigating the impact of excessive price volatility,

Underlining the importance of timely, accurate and transparent information in helping to address excessive food price volatility, and in this regard, taking note of the Agricultural Market Information System hosted by the Food and Agriculture Organization of the United Nations, and urging the participating international organizations, private sector actors and Governments to ensure the public dissemination of timely and quality food market information,

1. *Takes note* of the note by the Secretary-General transmitting the report on world commodity trends and prospects prepared by the secretariat of the United Nations Conference on Trade and Development;[13]

2. *Underlines* the need for further efforts to address excessive commodity price volatility, in particular by assisting producers, especially small-scale producers, in managing risk;

3. *Calls upon* the international community to support the efforts of commodity-dependent developing countries to address the factors that create structural barriers to international trade and impede, inter alia, diversification, including tariff and non-tariff barriers, limited access to financial services resulting in scarce resources for investing in the commodity sector, weak infrastructure, particularly as regards both the cost and availability of transportation and storage, and lack of skills in producing and marketing alternative products;

4. *Calls for*, in that regard, the successful conclusion of the Doha Development Round of trade negotiations with a development-oriented outcome that ensures, inter alia, greater market access for products from developing countries;

5. *Also calls for* a coherent set of policy actions at the national, regional and international levels to address excessive price volatility and support commodity-dependent developing countries in mitigating negative impacts, in particular by facilitating value addition and enhancing their participation in commodity and related product value chains, by supporting large-scale diversification of these economies and by encouraging the use and further development of market-oriented risk management, tools, instruments and strategies;

6. *Recognizes* the potential for innovation, productivity improvements and promotion of non-traditional exports in most commodity-dependent developing countries, particularly in Africa, and calls for enhanced support by the international community as well as exchanges of experience in these areas within the framework of South-South economic cooperation;

7. *Calls upon* the international community to work closely with commodity-dependent economies to identify trade-related policies and instruments as well as investment and financial policies as key elements of the development strategies of those economies;

[13] A/66/207.

8. *Underlines* the importance of increased investments in infrastructure as a means of promoting agricultural development and enhancing commodity diversification and trade, and urges the international community to assist commodity-dependent developing countries and to invest in and support research and development of agricultural productivity;

9. *Expresses concern* over the large-scale land acquisitions in developing countries by, among others, transnational corporations, that incur risk to development efforts, stresses the importance of promoting responsible international investment in agriculture, urges the Committee on World Food Security to finalize the voluntary guidelines on the responsible governance of tenure of land, fisheries and forests in the context of national food security, and invites the United Nations Conference on Trade and Development, in cooperation with other relevant international organizations, to continue its research and analysis on this issue;

10. *Stresses* that technical assistance and capacity-building aimed at improving the commodity export competitiveness of producers is particularly important, especially in Africa, and invites the donor community to provide necessary resources for commodity-specific, financial and technical assistance, in particular for human and institutional capacity-building, as well as infrastructure development of developing countries, with a view to reducing their institutional bottlenecks and transaction costs and enhancing their commodity trade and development in accordance with national development plans;

11. *Also stresses* that the Aid for Trade initiative should aim to help developing countries, particularly least developed countries, to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from World Trade Organization agreements and, more broadly, to expand their trade;

12. *Underlines* the important contribution of the commodities sector to rural development, in particular to providing rural employment and income, and to the efforts for achieving food security;

13. *Emphasizes* the importance of international measures and national strategies to improve the performance of the agricultural sector, including the functioning of markets and trading systems, to ensure a better supply-side response from producers, in particular small farmers, in order to incentivize them to take the risks inherent in investing in increased and diversified production;

14. *Stresses* the importance of managing excessive price volatility, including, inter alia, through the development of appropriate non-trade-distorting tools at the international level and the improvement of transparency in the international market;

15. *Recalls* the agreement to keep under regular review, by the Ministerial Conference and appropriate organs of the World Trade Organization, the impact of the results of the Uruguay Round on the least developed countries as well as on the net food-importing developing countries, with a view to fostering positive measures to enable them to achieve their development objectives, and in this regard calls for the implementation of the Marrakech Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries;

16. *Encourages* developed countries that have not already done so and developing countries declaring themselves in a position to do so to take steps

towards the goal of realizing timely implementation of duty-free and quota-free market access on a lasting basis for all least developed countries, consistent with the Hong Kong Ministerial Declaration adopted by the World Trade Organization in 2005;[14]

17. *Calls upon* international financial institutions and development banks to assist developing countries, in particular commodity-dependent developing countries, in managing the effects of excessive price volatility;

18. *Reaffirms* that every State has and shall freely exercise full permanent sovereignty over all its wealth, natural resources and economic activities;

19. *Recognizes* the importance of increasing efficiency, effectiveness and transparency in the management of public and private sector revenues in developed and developing countries derived from all commodities and commodities-related industries, including final processed goods, in support of development;

20. *Also recognizes* the important contributions of the Common Fund for Commodities and other international commodities organizations, and encourages them, in cooperation with the International Trade Centre, the United Nations Conference on Trade and Development, the United Nations Industrial Development Organization and other relevant bodies, to continue to strengthen coordination among themselves and study ways to establish greater stability in the commodities market as well as to enhance activities in developing countries to improve access to markets and reliability of supply, enhancing diversification and addition of value, improving the competitiveness of commodities, strengthening the market chain, improving market structures, broadening the export base and ensuring the effective participation of all stakeholders;

21. *Stresses* that the United Nations Conference on Trade and Development and its partners, in the spirit of inter-agency cooperation and multi-stakeholder partnerships and within their respective mandates, should continue to engage actively in collaborative research and analysis of the commodity problematique and related capacity and consensus-building activities with a view to providing regular analysis and policy advice relevant to the sustainable development of commodity-dependent developing countries, particularly low-income countries;

22. *Underlines* the urgent need for the provision of, and access to, trade finance to commodity-dependent developing countries, given the tightened access to all types of credit and noting debt sustainability;

23. *Stresses* the importance of the continuing substantive consideration of the sub-item entitled "Commodities", and decides to include the sub-item in the provisional agenda of its sixty-eighth session, under the item entitled "Macroeconomic policy questions";

24. *Requests* the Secretary-General, in collaboration with the secretariat of the United Nations Conference on Trade and Development, to submit to the General Assembly at its sixty-eighth session a report presenting an updated assessment of commodity trends and prospects, ways to strengthen coordination among international commodities organizations and other relevant international organizations and the causes of excessive commodity price volatility.

[14] World Trade Organization, document WT/MIN(05)/DEC.